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**PRESTON
MINES
LIMITED**

ANNUAL REPORT 1975



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Preston

MINES LIMITED

120 Adelaide Street West

Toronto, Canada M5H 1W5

Annual Report 1975

Directors

G. R. ALBINO
President and Chief Operating
Officer, Rio Algom Limited (1), Toronto

*R. D. ARMSTRONG
Chairman and Chief Executive Officer, Rio Algom
Limited (1), Toronto

*J. IAN CROOKSTON
Chairman, Nesbitt, Thomson and Company,
Limited, Investment Dealers, Toronto

†DR. G. B. LANGFORD
Retired, former Professor of Mining Geology,
University of Toronto

†R. D. LORD
Retired, former Vice-President,
Mining Research and Development,
Rio Algom Limited (1), Toronto

*B. R. MacKENZIE, Q.C.
Counsel to Fasken & Calvin, Barristers & Solicitors,
Toronto

*W. C. PITFIELD
President, Pitfield, Mackay, Ross & Company
Limited, Investment Dealers, Toronto

*Members of the Audit Committee

†Not standing for re-election

Officers

R. D. ARMSTRONG, President
Chairman and Chief Executive Officer, Rio Algom
Limited (1), Toronto

G. R. ALBINO, Vice-President
President and Chief Operating
Officer, Rio Algom Limited (1), Toronto

A. C. TURNER, Secretary
Vice-President, Secretary, Rio Algom Limited
(1), Toronto

J. VAN NETTEN, Treasurer
Vice-President, Treasurer, Rio Algom Limited
(1), Toronto

(1) Exploration for and mining of ores and
minerals and manufacture and distribution of
stainless and specialty steel mill products.

ANNUAL AND GENERAL MEETING

The Company will hold an Annual and General Meeting on
Tuesday, May 4, 1976 at 11:00 a.m. (Toronto time) in the Con-
ference Room, 26th floor, 120 Adelaide Street West, Toronto,
Canada M5H 1W5.

Directors' Report to the Shareholders:

Your Directors are pleased to submit this Report on the operations and financial position of the Company for the year ended December 31, 1975.

Net earnings for 1975 were \$12,884,128 representing \$1.54 per share compared with \$19,243,682 or \$2.45 per share in the previous year. The net earnings for both years are after including equity in net earnings of Rio Algom Limited of \$12,882,057 and \$19,017,896 respectively, representing the Company's 43.9% equity in the consolidated net earnings of that company.

The decline in Rio Algom's earnings in 1975 compared with 1974 was due mainly to lower copper prices and depressed world-wide demand for copper which affected Lornex Mining Corporation Ltd. in which Rio Algom has a 66.5% interest. A substantial decline in earnings from Rio Algom's steel operations was largely offset by improvements in earnings from its underground uranium mines.

Dividends received from Rio Algom Limited were \$5,920,640 in 1975 and \$5,382,400 in 1974. Dividends paid by the Company during the year were \$6,181,349 or 70 cents per share comprising dividends of 35 cents per share paid on July 31, 1975 and on December 31, 1975. In 1974 dividends paid were \$5,494,533 or 70 cents per share comprising dividends of 35 cents per share paid on June 28, 1974 and December 31, 1974 respectively. The dividends received and paid during the year are higher than in 1974 because of the greater number of shares of Rio Algom and of the Company which were issued and outstanding as a result of the issue of shares during the year by both companies, as described later in this Report.

In June, 1975, Rio Algom Limited made an offering to holders of its common shares, other than shareholders in the United States of America, of rights to subscribe for one additional common share for each ten shares held at a subscription price of \$21.00 per share. As the holder of 5,382,400 common shares of Rio Algom, the Company received rights to subscribe for a further 538,240 shares. These rights were exercised at a total cost to the Company of \$11,303,040 and the Company now holds 5,920,640 (43.9%) of the 13,489,522 outstanding common shares of Rio Algom.

For your information and with the consent of Rio Algom the Annual Report for 1975 of that company is forwarded to you with this Report.

To provide in part for the additional investment in Rio Algom, the Company concurrently made an offering to holders of its common shares, other than shareholders in the United States of America, of rights to subscribe for one additional common share for each eight shares held at a subscription price of \$10.75 per share. Tinto Holdings Canada Limited, a wholly owned subsidiary of The Rio Tinto-Zinc Corporation Limited, which owned 80.9% of the outstanding common shares of Preston, undertook, at no cost to the Company, to purchase at the subscription price all of the additional shares of Preston not taken up by other shareholders through the exercise of rights. Of the total of 981,166 common shares offered, 975,717 were subscribed for by shareholders and the remaining 5,449 unsubscribed shares were taken up by Tinto Holdings Canada Limited. The net proceeds of the issue amounted to \$10,417,612 which, together with \$885,428 of its general funds, were used by the Company to subscribe for and purchase additional Rio Algom shares.

During the year the economic viability of the uranium ore reserves of the Company's dormant Stanleigh property in the Elliot Lake area was kept under review, particularly as a result of the strengthening market for uranium.

Dr. George B. Langford has reached retirement age under the Company's policy with regard to retirement and accordingly will not present himself for re-election as a Director. Dr. Langford has been a Director of Preston since its inception in August, 1960 and served as a Director and Officer of a predecessor company

since 1952. His fellow Directors wish to record their appreciation for the valuable contributions which Dr. Langford has made in furthering the interests of the Company.

Mr. Ronald D. Lord, a Director of Preston, on December 31, 1975 retired as Vice-President, Mining Research and Development of Rio Algom Limited and will not present himself for re-election as a Director. Mr. Lord was employed by Preston East Dome Mines Limited in 1938 and after holding a number of progressively more responsible positions was elected a Director in 1957, and in 1958 was elected Managing Director. Since the amalgamation of that company with Stanleigh Uranium Mining Corporation Limited in August, 1960 to form Preston, Mr. Lord had been a Director of the Company and held a number of senior positions with it. His fellow Directors wish to record their appreciation for the major and valuable contributions Mr. Lord has made to the Company as a Director, Officer and employee.

Mr. Roy W. Wright, who has been a Director since April, 1973, resigned as of October 31, 1975 following his retirement as Deputy Chairman and Deputy Chief Executive of The Rio Tinto-Zinc Corporation Limited.

It is intended that one vacancy on the Board of Directors will be filled by Mr. Robert C. Berry, Vice-President, General Manager and Secretary-Treasurer of Tinto Holdings Canada Limited. You will be asked at the Annual and General Meeting of Shareholders to authorize a decrease in the Board of Directors from eight members to six.

On behalf of the board

Toronto, Canada
February 27, 1976.

R. D. Armstrong,
President

Auditors' Report

To the Shareholders of
Preston Mines Limited:

We have examined the statement of financial position of Preston Mines Limited as at December 31, 1975, and the statements of earnings, retained earnings and contributed surplus and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1975 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 27, 1976

COOPERS & LYBRAND
Chartered Accountants

Preston Mines Limited

(Incorporated under the laws of Ontario)

Statement of Financial Position December 31, 1975

CURRENT ASSETS:	1975	1974
Cash and short term deposits	\$ 472,703	\$ 1,556,468
Accounts receivable	26,414	87,468
	<u>499,117</u>	<u>1,643,936</u>
Less:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	8,274	9,027
Unclaimed dividends	137,983	137,983
	<u>146,257</u>	<u>147,010</u>
WORKING CAPITAL	352,860	1,496,926
Investment in Rio Algom Limited		
5,920,640 common shares (5,382,400 in 1974) (note 1)	128,211,155	110,079,940
Debentures, at cost	477,500	477,500
Mining properties, less amortization (note 2)	2	2
Deferred development expenditure	592,860	592,860
EXCESS OF ASSETS OVER LIABILITIES	<u>\$129,634,377</u>	<u>\$112,647,228</u>
OWNERSHIP EVIDENCED BY:		
Capital stock		
Authorized:		
1,069,925 4% cumulative, redeemable, non-voting preference shares with a par value of 50 cents each		
10,000,000 common shares without par value		
Issued:		
8,830,499 common shares (7,849,333 shares in 1974) (note 3)	\$ 37,458,519	\$ 26,910,985
Contributed surplus	24,730,509	24,993,673
Retained earnings	67,445,349	60,742,570
	<u>\$129,634,377</u>	<u>\$112,647,228</u>

Approved on behalf of the Board:

J. I. CROOKSTON, Director

R. D. ARMSTRONG, Director

Statement of Earnings, Retained Earnings and Contributed Surplus

YEAR ENDED DECEMBER 31, 1975

EARNINGS

REVENUE:	1975	1974
Proceeds from sales of plant and equipment	\$ 49,583	\$ 171,485
Less cost of reconditioning equipment sold	18,650	23,964
	<u>30,933</u>	<u>147,521</u>
Investment and other income	138,433	194,881
	<u>169,366</u>	<u>342,402</u>

EXPENSE:

Idle mine expense	42,504	38,884
Administrative and general expense	124,791	77,732
	<u>167,295</u>	<u>116,616</u>
Operating profit	2,071	225,786
Equity in net earnings of Rio Algom Limited	12,882,057	19,017,896
NET EARNINGS FOR THE YEAR (note 4)	<u>\$ 12,884,128</u>	<u>\$ 19,243,682</u>

Earnings Per Common Share

— Operating profit	<u>\$ —</u>	<u>\$0.03</u>
— Net earnings for the year	<u>\$1.54</u>	<u>\$2.45</u>

RETAINED EARNINGS

BALANCE, beginning of year	\$ 60,742,570	\$ 46,993,421
Net earnings for the year	12,884,128	19,243,682
	<u>73,626,698</u>	<u>66,237,103</u>
Dividends paid on common shares at the rate of \$0.70 per share	6,181,349	5,494,533
BALANCE, end of year	<u>\$ 67,445,349</u>	<u>\$ 60,742,570</u>

CONTRIBUTED SURPLUS

BALANCE, beginning of year	\$ 24,993,673	\$ 24,993,673
Deduct:		
Expense of common share capital issue	129,922	—
Equity in reduction of contributed surplus of Rio Algom Limited	133,242	—
	<u>263,164</u>	<u>—</u>
BALANCE, end of year	<u>\$ 24,730,509</u>	<u>\$ 24,993,673</u>

Statement of Changes in Financial Position

YEAR ENDED DECEMBER 31, 1975

SOURCE OF FUNDS:	1975	1974
Net earnings before equity in net earnings of Rio Algom Limited	\$ 2,071	\$ 225,786
Dividends from Rio Algom Limited	5,920,640	5,382,400
	<u>5,922,711</u>	<u>5,608,186</u>
Issue of common share (net of issue expense)	10,417,612	—
	<u>16,340,323</u>	<u>5,608,186</u>
DISPOSITION OF FUNDS:		
Dividends on common shares	6,181,349	5,494,533
Investment in 538,240 common shares of Rio Algom Limited	11,303,040	—
	<u>17,484,389</u>	<u>5,494,533</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(1,144,066)	113,653
WORKING CAPITAL, beginning of year	1,496,926	1,383,273
WORKING CAPITAL, end of year	<u>\$ 352,860</u>	<u>\$ 1,496,926</u>

Notes to Financial Statements

DECEMBER 31, 1975

1. Investment in Rio Algom Limited

The Company's investment in common shares of Rio Algom Limited represents 43.9% of the issued common shares of Rio Algom and is carried on the equity accounting basis. The cost of the Company's investment exceeded its equity in the net assets of Rio Algom at date of acquisition by \$11,221,004 and this excess has been written off to retained earnings.

2. Plant and equipment consists of:

	1975	1974
Buildings, machinery and equipment, at cost	\$9,077,486	\$9,261,929
Less accumulated depreciation	9,077,486	9,261,929
	<u>\$ —</u>	<u>\$ —</u>
Mining properties consist of:		
Mining properties, at cost	\$ 569,789	\$ 569,789
Less accumulated amortization	569,787	569,787
	<u>\$ 2</u>	<u>\$ 2</u>

3. Common shares

During the year 981,166 common shares were issued for \$10,547,534 cash under the terms of a rights offering.

4. Income and mining taxes

Because of the exemptions and deductions permitted for tax purposes, it is estimated that the Company has no liability for income or mining taxes for the year.

5. Anti-Inflation Act

The Company's activities are subject to the regulatory controls established under the Canadian government's Anti-Inflation Act, which became effective October 14, 1975. Since the Company has no operations and no employees, the only aspect of its activities which are affected by the controls is the payment of dividends. The regulations permit the Company to continue the declaration and payment of dividends during the period October 14, 1975 to October 13, 1976 at the current rate; regulations applicable beyond October 13, 1976 have not been issued.

6. Remuneration of directors and senior officers

During the year ended December 31, 1975 the aggregate direct remuneration paid or payable by the Company to the directors and senior officers of the Company was \$9,717.

Supplementary Information

Five Year Review

(\$ 000's omitted)

	1975	1974	1973	1972	1971
Proceeds from sale of plant and equipment	\$ 50	\$ 171	\$ 89	\$ 73	\$ 116
Less cost of reconditioning equipment sold	19	24	27	7	9
	31	147	62	66	107
Investment and other income	138	195	216	116	104
	169	342	278	182	211
Expenses:					
Idle mine expense	42	39	41	53	52
Administrative and general	125	77	62	61	51
	167	116	103	114	103
Operating profit	2	226	175	68	108
Equity in net earnings of Rio Algom Limited	12,882	19,018	22,697	6,815	3,902
NET EARNINGS FOR THE YEAR	\$ 12,884	\$ 19,244	\$ 22,872	\$ 6,883	\$ 4,010
Earnings per share	\$ 1.54	\$ 2.45	\$ 2.91	\$ 0.88	\$ 0.51
Dividends paid (\$000's)	\$ 6,181	\$ 5,495	\$ 3,846	\$ 2,198	\$ 2,198
Per share of common stock	70¢	70¢	49¢	28¢	28¢
Common shares outstanding (000's)	8,830	7,849	7,849	7,849	7,849
Number of shareholders	3,400	3,400	3,500	3,600	3,800

Price Range of Common Shares and Dividends Paid

The following table shows the high and low prices for Preston Common Shares on The Toronto Stock Exchange and the dividends paid on these shares by the Company.

	1975	1974
First Quarter	\$14 — 9 6/8	\$18 4/8 — 16 2/8
Second Quarter	16 1/8 — 11 3/8	17 2/8 — 12
Third Quarter	14 7/8 — 12 4/8	14 — 9 5/8
Fourth Quarter	14 4/8 — 12	12 4/8 — 9 2/8

Dividends paid per share: June 28, 1974 — 35¢; December 31, 1974 — 35¢.
July 31, 1975 — 35¢; December 31, 1975 — 35¢.

Preston Mines Limited

Miscellaneous Corporate Information

Head Office

120 Adelaide Street West, Toronto, Canada M5H 1W5

Bankers

The Toronto-Dominion Bank	Toronto, Ontario
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Auditors

Coopers & Lybrand, Chartered Accountants	Toronto, Ontario
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Transfer Agents

Common Shares	
Canada Permanent Trust Company	Toronto, Ontario
The Canadian Bank of Commerce Trust Company	New York, N.Y.

Common Shares Listed

Toronto Stock Exchange	Toronto, Ontario
American Stock Exchange	New York, N.Y.

Form 10-K Annual Report

The Company's Form 10-K annual report for 1975 to the United States Securities and Exchange Commission will be available after April 30, 1976 on written request to the Secretary of the Company.

Rio Algom

Rio Tinto

